

Executive Registry

77-1562

MEMORANDUM FOR: Director of Central Intelligence

VIA : Deputy Director of Central Intelligence

FROM : Sayre Stevens
Deputy Director for Intelligence

SUBJECT : Comparative Analysis of 1985 Oil
Forecasts

1. Action Requested: None.

2. Background: The attached memorandum compares CIA and other energy forecasts. It was prepared by [] Deputy Director of Economic Research, in [] response to your request. It concludes, early press reports notwithstanding, that the forecasts are not all that far apart.

The press reporting on the Soviet estimate sparked a visit to [] from Stan Taylor, Select Committee Staffer, who was charged with writing an evaluation of the Soviet paper as part of the Committee study on the quality of intelligence analysis. Taylor told [] that when he got the assignment, he called 15 or so experts in the energy area, all of whom thought the 1985 study was outstanding. This unanimity surprised Taylor, as it did indeed []. You will, of course, receive a copy of Taylor's report, which, if he has his way, will be fairly glowing.

Finally, [] had a one-hour+ meeting with Jim Schlesinger at the White House -- one of several such meetings -- last Friday night, and, apropos of this memorandum, Schlesinger thought that our study might be too optimistic than pessimistic as press reporting has it. [] agreed that if we are wrong, it will be because we are too sanguine on a number of points.

/s/ POW
Sayre Stevens

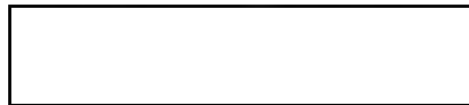
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DDI

6 June 1977

MEMORANDUM FOR THE RECORD

SUBJECT: Comparative Analysis of 1985 Oil
Forecasts

The DCI requested that I prepare a memorandum
on a comparative analysis of 1985 oil forecasts.



Deputy Director
Economic Research

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Comparative Analysis of 1985 Oil Forecasts

A comparison of the CIA projections of worldwide energy/oil supply and demand projections with recent forecasts of other organizations reveals few major differences outside the Communist area. These are largely because of a lack of understanding of Soviet oil production problems. Most private, oil industry, and government forecasters generally agree that demand for OPEC oil will exceed OPEC's ability or willingness to produce by 1985 or shortly thereafter. In addition to the studies analyzed below, informal discussions with other observers indicate that the CIA analysis is looking stronger after nearly two months of reflection.

A large number of major worldwide energy supply and demand forecasts has been published during the past six months or so. The attached tables compare the principal findings in the CIA 1985 forecast with nine representative studies. Comparable details are not available for several of the studies, although estimates of required OPEC production (so-called "bottom line") are indicated for each.

The CIA forecast and methodology are most closely paralleled in studies prepared by [] OECD, and FEA. The oil demand forecast in each of these studies is determined

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by projected economic growth, less estimates for conservation. On the supply side, the CIA projections are based on an analysis of available non-OPEC energy supplies, including the Communist countries; OPEC countries garner the residual to meet world demand. CIA's forecast of required OPEC production in 1985 is higher than the other four studies, primarily reflecting our more pessimistic assessment of the Soviet oil balance. The difference in the Soviet estimate alone is as large as 3.1 million to 5.5 million b/d in 1985.

Two additional studies -- by Walter J. Levy Associates and the International Energy Agency -- conclude that required OPEC production in 1985 may well exceed OPEC willingness to produce at the required level. The Levy and IEA studies each assume the Communist countries will be small net exporters in 1985.

The SRI World Energy Study is heavily caveated. For example, summary results distributed at the second conference of participating clients held at SRI on April 21 are carefully labeled "Preliminary Work (to be revised)" and state that "numbers are for illustrative purposes only." Nevertheless, people are quoting the study as definitive when they contrast it to the CIA analysis.

-2-

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Remarks:			
<p>The Director</p> <p>Attached is the response to your request for a comparative analysis of 1985 oil forecasts. You might wish to note this before the Wednesday luncheon.</p> <p style="text-align: center;"><i>IS/POW</i> Sayre Stevens DDI</p>			
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Executive Secretary

10 June 1977

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REMARKS: <i>Note that DCI did not like background paper at all (see his comments) — but he approved the Action Plan in toto</i> <i>Also note his comments on plan and his <u>reduction</u> of time in which study is to be completed.</i>		
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1 FEB 53REPLACES FORM 36-8
WHICH MAY BE USED.

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